

Central & Eastern Europe Commercial Update

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March 2003

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Calendar of Events

March

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**Baltic Business Briefing:
Port Infrastructure/Logistics**
Washington, D.C.

3/14
**First International Work-
shop of Incoming Tourism**
Vilnius, Lithuania

April

4/1–4/5
**Wine Ljubljana:
International Viticulture
and Winegrowing Fair**
Ljubljana, Slovenia

4/8–4/11
**Telecommunications and
Internet Fair**
Ljubljana, Slovenia

4/22
**Business Briefing: Poland,
Hungary, the Czech Repub-
lic, Slovakia, and Slovenia**
Washington, D.C.

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Poland: The Road to Opportunity

Poland, with its 40 million people, is the largest country joining the European Union in 2004. Not only does Poland's size contribute to its importance within the European Union, but so too does its strategic location. Poised on the eastern edge of the union, and touching the Baltic Sea and the northern Baltic states, Poland acts as a natural transportation corridor to the vast EU market of 380 million inhabitants. However, the current highway and road systems in Poland are insufficient for this Central European crossroads.

Of the 18,000 national roads in Poland, one-third of them need immediate improvement and another one-third require planned action. The highway system, which amounts to 394 km (245 miles) of roughly scattered and unconnected roads, constitutes only 2.2 percent of the entire road network. This pales in comparison with other countries in the region. For example, the Czech Republic, only a quarter the size of Poland, has 600 km (373 miles) of highways—with another 400 km (249 miles) under construction.

Since the fall of communism, only 145 km (90 miles) of highways have been constructed in Poland; under the current administration, only 21 km (13 miles) have been built. Poland's best roads remain patched-up thoroughfares built to run through Silesia in the 1930s for industrial material transportation, and an expressway built in the 1970s from Warsaw to Katowice in the south. Again, in contrast with Poland's similarly industrialized Central and Eastern European neighbors, Poland suffers from a rudimentary system. The Czech Republic boasts 220 km (137 miles) of highways built over the same post-communist period, while Hungary, a third the size of Poland, has constructed 400 km of highways.

Trucking Challenges

In fact, Polish truckers fear they are losing contracts to Czech and Slovak competitors as road cargo is diverted to their more reliable road systems, particularly for goods going to Russia and southern Ukraine. The poor state of Polish roads poses more dangers for truckers. Poor roads slow the progress of internal and outward cargo traffic, lengthening delivery times for manufacturers, and make the country unattractive to companies that transfer components among distant manufacturing sites.

In 2001, Poland adopted a program to adjust its road network to the July 1996 EU directive mandating that international roads must uphold axle loads of 11.5 metric tons. The Polish program announced 2015 as the date by which Polish roads would comply with this requirement. At present, Polish roads that handle 10 metric tons are more common, and tolerance of eight metric tons is basically the standard. Only 0.5 percent of the

Polish national network actually fulfills the condition to support 11.5-ton axle load trucks. Furthermore, the program includes plans to build an additional 1,500 km of highways, 1,500 km of expressways, and modernize 2,500 km of international and 4,000 km of national roads.

Meanwhile, the actual quality of materials used to build and repair Polish roads requires attention. Poor quality of construction materials has translated into deeper troughs in the road surface, making it harder for vehicles to change lanes, and allows the troughs to retain water, consequently forming ice tracks. Bad roads increase the cost of vehicle maintenance and insurance, and raise the number of hours on the road in traffic.

(Continued on page 6—Poland)



Eye on Southeast Europe



American Chambers of Commerce act as a voice for U.S. business in host countries by assisting new-to-market companies and lobbying on behalf of U.S. commercial interests.

American Chambers of Commerce in Southeast Europe **A Voice for U.S. Business Interests**

American Chambers of Commerce (AmChams) act as a voice for U.S. business in host countries by assisting new-to-market companies and lobbying on behalf of U.S. commercial interests. AmChams are voluntary associations of American individuals doing business worldwide, as well as firms and individuals of countries operating in the United States. Typical AmCham services include providing business and government contacts, hosting luncheons and dinners featuring U.S. and foreign officials, and developing news bulletins and networking activities.

Economic and political developments in Southeast Europe over the past decade have allowed the AmChams there to play important roles in shaping the regional commercial environment. Last year, two new AmChams were established in Southeast Europe to meet the needs of U.S. companies: FR Yugoslavia, and Bosnia and Herzegovina. This brings the total number of AmChams in Southeast Europe to seven.

Since all of the AmChams are at various stages of development, CEEBIC encourages U.S. companies to visit the organizations' individual Web sites (if available), or call or e-mail the executive directors to learn about membership services. This is a complete list of AmChams in Southeast Europe:

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American Chamber of Commerce in Bulgaria

Valentin Georgiev



European Union Accession Extras

Countries Set to Join the European Union



On Dec. 13, 2002, the European Council agreed on conditions for admitting 10 new members to the European Union: Slovakia, the Czech Republic, Poland, Hungary, Estonia, Latvia, Lithuania, Slovenia, Cyprus, and Malta. The new member states will formally join the European Union on May 1, 2004. The European Union continues to monitor the progress of candidate countries as that accession date approaches. Source: *Enlargement Weekly*.

Referenda in 2003



All the candidate countries that concluded negotiations in Copenhagen in December 2002—except Cyprus—are holding referenda on EU accession this year. The dates are as follows:

- Malta: likely between Feb. 22 and March 8;
- Slovenia: March 23;
- Hungary: April 12;
- Lithuania: probably May 11;
- Slovakia: May 16–17;
- Poland: probably June 8;
- Czech Republic: June 15–16;
- Estonia: Sept. 14;
- Latvia: Sept. 20.

Source: *EU Observer*.

Environmental Funding Agenda



In a January meeting, the EU environment commissioner and the candidate countries' environment ministers agreed that the administrative capacity to implement EU environmental legislation was weak at the regional and local level in many of the candidates. Access to EU financial assistance for environmental investments is dependent on the completion of preparatory steps, such as waste management plans, opening the way for EU funds for urban wastewater treatment, air pollution reduction, and integrated pollution prevention and control. Complying with EU environmental laws will require spending of around 100 billion euros by the 10 new member states. Source: *Enlargement Weekly*.

Croatia Bids for EU Membership



On Jan. 27, 2003, the European Commission told Croatia that it supported Croatia's bid to join the European Union within five years, stressing that it is up to Croatia to carry out all the necessary reforms in due time. Prime Minister Ivica Racan responded that Croatia was aware of its obligations and the tough reforms that must be enacted before the granting of membership. Source: RFE/RL.



Central and Eastern Europe Commercial Opportunities

Bulgaria



Sport Depot, a leading distributor of sports and fitness equipment in Bulgaria, is seeking to expand its product lines. Sport Depot imports the following products: sports and fitness equipment, saunas; tennis, basketball, and boxing equipment; garden furniture, toys, and a wide range of accessories. The company seeks U.S. suppliers of various sports and fitness equipment and accessories, as well as a joint-venture partner to expand its operations.

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E-mail: sport@sportbul.com
Web site: www.sportbul.com

Kosovo



Aulona is a privately owned company that has been in operation for 13 years and has 14 employees. Aulona repairs motors of heating pumps, water plunging pumps, towers, and transformers of electricity. Its primary customer is Kosovo Electricity Company. Aulona seeks a transformer test system with a service contract.

For more information, please contact:
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Latvia



The Latvian State Revenue Service (SRS) invites sealed bids for the supply and installation of an audit support information system. According to the invitation for bids, the supplier is expected to:

- Analyze SRS business requirements;
- Develop the application software;
- Install, configure, and integrate the software;
- Document the system;
- Train SRS operational and technical staff;
- Provide technical support and maintenance services; and
- Supply hardware.

For more information, please contact:
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Upcoming Events

March

3/6

Baltic Business Briefing: Port Infrastructure/Logistics

Washington, D.C.

In cooperation with CEEBIC, the Estonian-American Chamber of Commerce, and the Joint Baltic American National Committee.

Participants will include embassy representatives, the U.S. Trade and Development Agency, and U.S. and Baltic port-sector companies.

Further information and to register:

Web site: www.mac.doc.gov/Ceebic/upevents/2003/Mar/BalticPortBriefing.htm

3/14

First International Workshop of Incoming Tourism

Vilnius, Lithuania

Organized by the Lithuanian Association of Hotels and Restaurants.

Further information:

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April

4/1-4/5

Wine Ljubljana: International Viticulture and Winegrowing Fair

Ljubljana, Slovenia

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4/8-4/11

Telecommunications and Internet Fair

Ljubljana, Slovenia

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4/22

Business Briefing: Poland, Hungary, the Czech Republic, Slovakia, and Slovenia

Washington, D.C.

Further information:

Web site: www.export.gov/ceebic

E-mail: ceebic@ita.doc.gov



For a more complete list of events, go to

CEEBICnet: www.export.gov/ceebic.

This notice is provided solely as an informational resource and does not constitute U.S. Department of Commerce endorsement of these events. All information published in the Commercial Update regarding trade events is subject to change without notice by the organizers of those events.

Poland—from page 1

Roads and Rails



While most European countries have been shifting their road haulage to rail shipping, Poland has witnessed the reverse, perhaps due to the fast-moving, consumer goods cargo being shipped into Poland. However, certain products are more conducive to freight and sea shipping. Electronics, clothing, fruit, and meat increasingly move by rail, and goods bound for the Baltic states increasingly travel by sea. Even so, using other types of infrastructure still entails road haulage in some form, as moving goods from seaports to the interior relies on roads. Thus road haulage will remain pertinent, particularly as the European Union sees greater use of sea cargo as a major step in fighting air pollution.

As the Polish government acts to upgrade, modernize, and reshape the Polish road transportation system to EU standards, numerous business and investment opportunities will arise for U.S. companies. In addition, as the road infrastructure improves, opportunities in related sectors stand ready to grow—for example, those regarding hotels, motels, restaurants, and service stations. In addition, greater opportunities will come about as the different infrastructure sectors merge closer together to provide integrated freight logistics.

Further Information

Polish contracting authority for highway tenders:
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Railroads

Poland must also upgrade its rail system to integrate it into the European Union. Currently, while Poland's state rail company is the third largest in Europe in terms of line length, Poland only uses railroads for approximately 50 percent of its goods transportation. Thus, U.S. companies have a wealth of opportunities in the rail sector, particularly in providing track rehabilitation machinery, signaling cables, power supply cables, signaling equipment, steel parts for standard turnouts, and hot and flat wheel detection equipment.

One U.S. company, rail freight giant GATX, has already made major inroads into the rail infrastructure market, having bought specialized rail-tank operator DEC. GATX was the sixth-largest foreign investor in Poland in the first half of 2002 with a \$114.8 million investment.



Around the Region



Bulgaria: Energy Liberalization



The main priority of the Bulgarian State Commission for Energy Regulation in 2003 will be the introduction of market principles in the energy sector. Another significant task will be the issuing of tenders for the eight gas distribution districts in Bulgaria. In mid-

2003, companies that consume more than 100 GWh of electricity and that do not have any outstanding debts with the National Electric Company will be permitted to negotiate their rates directly with producers without the involvement of the energy regulator. (Rate negotiations will not be possible, however, for the Kozloduy nuclear power or the Maritsa East 3 power plants.) In 2007, the market will open for domestic consumers to negotiate electricity supply with power distribution companies. In addition, liberalization of the natural gas market will also begin in mid-2003. Companies consuming more than 80 million cubic meters of gas annually, with no outstanding debts to gas suppliers, will be permitted to negotiate rates directly with importers and gas distribution companies. The technical and trading regulations for the liberalized electricity market are ready and pending government approval, following the passage of the new energy law. Source: *Bulgarian Telegraph Agency*.

F.R. Yugoslavia: Additional Assets Freed



On Dec. 27, 2002, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) unblocked a substantial portion of blocked assets for the former Yugoslavia (Socialist Federal Republic of Yugoslavia). These assets had been blocked during the 1990s

under a series of economic sanctions imposed by the United States. For further information, visit the OFAC Web site: www.ustreas.gov/offices/enforcement/ofac.

Slovenia: Changes to Customs Act Effective



Amendments to the Slovene Act on Customs have taken effect. Exemption of payment of import duties is now fully aligned with EU legislation. As a result, uniform customs duty has been reduced from 15 to 10 percent. The amendments also include provisions on the electronic exchange of documents, outline the government's jurisdiction in customs procedures, and identify the refunding of import duties in the case of imports for production of goods to be exported. Source: *Slovenia Business Weekly*.

Slovakia: New Public Procurement Rules



Slovakia's Public Procurement Office has instituted new rules for public procurement, effective Jan. 1, 2003. This move was designed to improve transparency in procurement. The changes in rules should also secure equal position of entities that provide services, goods, and work. These new changes in public procurement transactions were enacted in the revision to the law on public procurement, which was approved by parliament. Source: SITA.

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